



**Request for City Council Committee Action
From the Finance & Property Services Department**

Date: July 30, 2012
To: Council Member Betsy Hodges, Chair Ways and Means/Budget
Committee
Referral to: Board of Estimate & Taxation

Subject: Refunding of General Obligation Bonds

Recommendation:

City Council adopt a resolution requesting the Board of Estimate & Taxation to issue General Obligation Refunding Bonds in compliance with applicable Minnesota Statutes.

Previous Directives

None

Prepared/Submitted by Michael Abeln, Director, Capital & Debt Management, 673-3496

Approved by: Kevin Carpenter, City Finance Officer _____

Paul Aasen, City Coordinator _____

Presenters in Committee: Michael Abeln, Director, Capital & Debt Management

Financial Impact (Check those that apply)

- ☒ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- ☒ Other financial impact (Explain): Refunding bonds for future interest savings
- ☒ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

The City currently has five series of General Obligation fixed rate bonds with interest rates above current market rates which are callable on December 1, 2012. These five series have a total of \$ 57,260,000 of bonds that can be refunded on December 1, 2012 by reissuing new bonds at significantly lower interest rates. The City may also choose to prepay, rather than refinance, all or a portion of these bonds on the call date if sufficient cash resources are available. Refunding or prepaying these bonds will result in significant future debt service savings.

In addition, there are three series of bonds that will become callable on December 1, 2013 with a total of \$ 24,105,000 of callable bonds. These bonds may also be refunded or prepaid to generate interest savings.

The following details briefly describe the five series of bonds to be refunded and/or prepaid in the fall of 2012 and the three series of bonds callable on December 1, 2013.

(1) The October 2002 \$ 25,000,000 General Obligation Parking Assessment Bonds, Series 2002 with \$ 22,060,000 outstanding and callable on December 1, 2012. These bonds financed the Vineland Place Parking Ramp attached to the Walker Art Center. The callable bonds have maturity dates from December 1, 2013 to December 1, 2026 and coupon rates ranging from 4.50% to 5.125%.

(2) The November 2002 \$ 9,500,000 General Obligation Library Referendum Bonds, Series 2002 with \$ 6,500,000 outstanding and callable on December 1, 2012. The callable bonds have maturity dates from December 1, 2013 to December 1, 2025 and coupon rates ranging from 4.00% to 5.00%.

(3) The June 2004 \$ 40,970,000 General Obligation Various Purpose Bonds, Series 2004 with \$ 1,500,000 outstanding and callable on December 1, 2012. The outstanding bonds in this series were for equipment purchases such as fire trucks and construction equipment. The callable bonds have maturity dates from December 1, 2013 to December 1, 2019 and coupon rates at 5.00%.

(4) The November 2004 \$ 28,000,000 General Obligation Library Referendum Bonds, Series 2004 with \$ 22,600,000 outstanding and callable on December 1, 2012. The callable bonds have maturity dates from December 1, 2013 to December 1, 2025 and coupon rates ranging from 4.50% to 5.00%.

(5) The November 2004 \$ 9,740,000 General Obligation Improvement Bonds, Series 2004 with \$ 4,600,000 outstanding and callable on December 1, 2012. These bonds were for special assessment projects. The callable bonds have maturity dates from December 1, 2013 to December 1, 2024 and coupon rates ranging from 3.75% to 4.375%.

(6) The June 2005 \$ 29,915,000 General Obligation Library Referendum Bonds, Series 2005 with \$20,725,000 outstanding and callable on December 1, 2013. The callable bonds have maturity dates from December 1, 2014 to December 1, 2025 and coupon rates ranging from 4.00% to 4.375%.

(7) The June 2005 \$ 37,240,000 General Obligation Various Purpose Bonds, Series 2005 with \$ 1,380,000 outstanding and callable on December 1, 2013. The outstanding bonds in this series were for equipment purchases such as fire trucks and construction equipment. The callable bonds have maturity dates from December 1, 2014 to December 1, 2020 and coupon rates at 4.00%.

(8) The November 2005 \$ 4,610,000 General Obligation Improvement Bonds, Series 2005 with \$ 2,000,000 outstanding and callable on December 1, 2013. These bonds were for special assessment projects. The callable bonds have maturity dates from

December 1, 2014 to December 1, 2025 and coupon rates ranging from 4.00% to 4.50%.

The Finance & Property Services Department recommends the City Council adopt the attached resolution requesting the Board of Estimate & Taxation to issue and sell City of Minneapolis General Obligation Refunding Bonds to refund any applicable portion of the above issues for savings.

The Finance officer will report the bond sale results to the Ways & Means/Budget Committee after the completion of each refunding bond issuance.